

### The five key questions on aged care

*If you are considering aged care for someone close to you, there are five questions you need answered to ensure the best care at the most reasonable cost.*

It's a fact of life that many of us will need to one day face the daunting task of seeking aged care for someone close to us. At first the complexity of dealing with the personal, practical and financial issues may seem overwhelming, but there are positive ways to address these issues and there is help available to navigate through them.

As a specialist in the field of aged care advice, we have helped many people work through the aged care maze. "Sooner or later many of us need to deal with a relative who is no longer able to manage independently in their own home," "Health and mobility deterioration will eventually lead to a need for alternative care arrangements. For the relative who is trying to facilitate this life change, it is often quite a shock when they come up against the complexity of transitional and financial issues involved."

"To try and help people gain some perspective and identify what the priorities should be, I focus on what I call the five key questions on aged care".

#### **Question 1 – what are the aged care options?**

The degree of care needed is evaluated by an Aged Care Assessment Team (ACAT). ACAT comprises health professionals and social workers and their role is to assess if the person needs assistance services at home or if a move to residential care is needed. In-home care can be arranged through the Department of Health in the form of Home and Community Care (HACC), Community Aged Care Packages (CACPs) and Respite Care Services.

If it appears that independent living is too much of a challenge then they may recommend residential aged care. RI Advice explains that there are two main types of residential care available - hostels and nursing homes. "Hostels provide assistance with daily living needs, such as meals, laundry and cleaning as well as a degree of nursing care. Nursing homes offer more intensive support for higher level of care, including full time nursing care. When deciding on a facility it is important to take a look first hand, to get a feeling for the standard of care available and to start comparing the pros and cons of different aged care homes."

#### **Question 2 – what costs are involved?**

The costs of residential care has been identified as being the most confronting aspect for the uninitiated. "While the cost of care is partly funded by the government, there can still be significant costs to residents which are partly based on their level of assets and income. It may well be that the resident is required to contribute toward an entry fee plus ongoing daily care fees."

"Hostels and nursing homes each use different structures to calculate entry fees. Hostels ask for an up-front bond, from which they will take interest earnings plus an annual deduction of the bond amount. Nursing homes do not require a bond, but will instead charge their entry fee as a daily amount. In both cases the resident's assets may be assessed by Centrelink to determine the level of fee and the degree of subsidy made by the government."

Both hostels and nursing homes also charge daily care fees on top of the entry fee. The basic daily care fee is generally payable by all residents, whereas the income tested fee is based on the resident's level of income. "At the very least, the daily care fees will be a large proportion of the age pension, but they can be significantly higher if a person's assessable income is over a certain level".

"While all these costs may seem difficult to digest, it is vital to seek some advice on strategies to minimise them through correct structuring of assets. There are ways and means to limit fee liabilities so that aged care doesn't end up costing more than is necessary."

#### **Question 3 - What will happen to the family home?**

In many cases, the family home will be the major asset involved and once the reality of the costs of aged care start to become apparent, it may seem inevitable that the family home needs to be sold to fund these costs. The situation with the family home needs to be carefully considered.

"If a spouse still remains at home then the value of that home is not assessable for entry fee purposes and this will serve to reduce the fee contribution required by the aged care facility. If the home is left vacant, however, then it is assessable. The question here is whether it is better to sell the home or to retain it and rent it out. There is no simple answer to this; it requires a careful analysis of the resident's other assets and income. This is one area where we are often able to relieve

clients of the worry of making the wrong decision, by providing an objective analysis of where the home can fit into the overall plan for minimising fees and maximising income.”

#### **Question 4 – what are the impacts on the age pension?**

Maintaining age pension entitlements can be a very sensitive area for many people. If selling the family home is being considered, then it is important to factor in how this may affect pension levels, as the value of the home may fall under the assets test once sold.

RI Advice recommends caution in this regard. “It may well be possible to keep the home, rent it out and use the income from this to fund the entry fees. By doing this, both the value of the home and the rental income generated may still be exempt from the assets and income tests respectively. Again, there are no simple answers here; it will depend on individual circumstances. The pension may only be one component of income, so it is vital to consider the total income picture and not just the pension in isolation.”

#### **Question 5 – how can ongoing income be maximised?**

Optimising ongoing income for the aged care resident can be quite a challenge once all the complexities of the aged care regime are taken into account. The need to minimise fees, maximise the age pension, deal with the family home and structure other financial investments will all have an impact on what ongoing income can be generated.

RI Advice urged people dealing with aged care not to go it alone. “Analysing all these issues and structuring the most effective solution takes some skill to organise. I find that there is a real risk of poor decisions being made if someone unfamiliar with the aged care environment either puts these issues in the too hard basket or fails to properly assess how all the factors interrelate. I would strongly advise anyone in this situation to seek professional advice from a qualified financial planner to find the right answers to these five critical questions.”

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